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NEWSPAPER

N.Y. cafeteria says goodbye
Dubrows closes/Pages 155

Union seeking polygraph ban
Testimony heard/Page 3

Burgers, fries and shakes . . .
Telberg/Page 208

Nation's
Restaurant News®

The Weekly Newspaper of the Food-Service Industry

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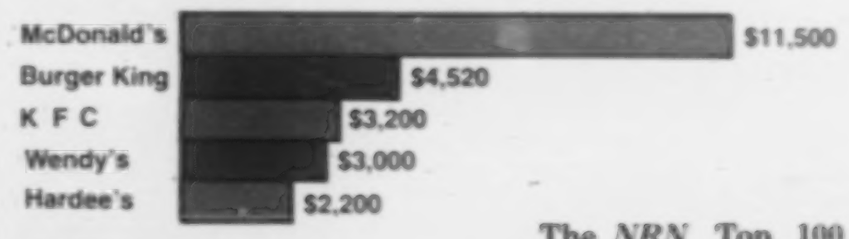
NRN *TOP 100 PREVIEW*

Top five chains

(Systemwide Sales for Current Fiscal Year, in Millions)



Fastest growing chains

(Annual Percentage Change, by Fiscal Year)

	Current	Last Full
Service America	132%	40%
Domino's	92	76
Bojangles'	43	36
Marriott Food Service Mgt.	39	17
Po Folks	39	77

Source: *NRN* research

The *NRN* Top 100 is winning an ever-larger share of the marketplace and growing at more than twice the pace of the industry as a whole. The excerpts here tell part of the story. Full Chain Analysis coverage appears in the Focus section.

Interstate United, Canteen to merge under Transworld

Will become nation's 3rd-largest contract feeder

By Alan Liddle

NEW YORK — Transworld Corp. has agreed to purchase contract feeder Interstate United Corp. from Hanson Trust PLC of London for $92.5 million in cash.

Transworld said it would merge Interstate into its Canteen Corp. contract food-service subsidiary upon completion of the purchase in September or October.

The addition of Interstate, which reported revenues of $395 million for fiscal 1984, is expected to make Canteen the nation's third-largest contract feeder, with an estimated 2,500 manual accounts, thousands of vending machines and projected annual systemwide sales of $1.5 billion.

Transworld said it was too early to say whether the headquarters of Canteen and Interstate—which are both in Chicago—will be combined or how the overlap of their operations will be handled.

The acquisition is expected to reshuffle the rankings of contract feeding's sales leaders.

Business and industry feeding accounts form the largest percentage of Canteen's nonvending revenues. About 65% of Canteen's nonvending accounts are with "white-collar" companies, such as law offices, insurance companies and banks. But the company also claims to be one of the largest "blue-collar" feeders, if not the largest, with a strong penetration of heavy

*(See **INTERSTATE**, page 205)*

Ponderosa gears up to broaden market base

Menu, unit revamp under way

By Ken Frydman

DAYTON, Ohio — With a new president at its helm, a menu diversification plan in place and a systemwide remodeling package on the boards, the 645-unit Ponderosa chain is poised to widen its niche in the family steakhouse segment.

Thomas J. Russo, 43, who resigned last fall as president of Howard Johnson's restaurant and lodging group, has been breathing new life into the chain since taking over in February as president of the Ponderosa Steak House division and executive vice president of parent company Ponderosa Inc.

Russo has certainly had his work cut out for him, having inherited a "red" balance sheet from his predecessor, C. Stephen Lewis. Ponderosa suffered a

*(See **PONDEROSA**, page 176)*

Ponderosa Inc.

Dayton, Ohio

Publicly held company traded on the New York Stock Exchange at about $12 a share.

Owns and operates 435 family steakhouses; 210 are franchised. Also owns and operates 19 Casa Lupita Mexican dinnerhouses.

Russo

1985 revenue (53 weeks): $499.4 million, up 19.5%. (fiscal year ended Feb. 28).

1985 net income: $8.4 million, down 44%.

1986 first-quarter revenue: $117.2 million, down 1.3%.

1986 first-quarter net income: $800,000, down 82.2%.

Russo faces many challenges

By Charles Bernstein

News Analysis

DAYTON, Ohio — Can Thomas J. Russo, the 43-year-old veteran restaurant chain executive who tackled so many challenges in 21 years at Howard Johnson, bring Ponderosa Steak Houses from their "sleeping giant" status to their true potential? Can he change the roller coaster up-and-down syndrome that has beset the chain during the shifting economic conditions of the past several years?

Those are some of the major questions that Russo faces in his new role as president of the Steak House division. With Jerry Office continuing as chairman, president and chief executive officer of parent Ponderosa Inc. and still having the final say on the steak-

*(See **RUSSO**, page 176)*

Houston is hot over Cajun-Creole café

By Marilyn Alva

HOUSTON — This city's boom days have come and gone, but one restaurant here has not noticed, thanks to its wild and crazy Cajun-Creole format.

The Atchafalaya River Café is home to an action-packed eating, drinking and party scene that many observers compared with the Mardi Gras of New Orleans, feeding as many as 1,500 people a day and making $6 million a year in sales.

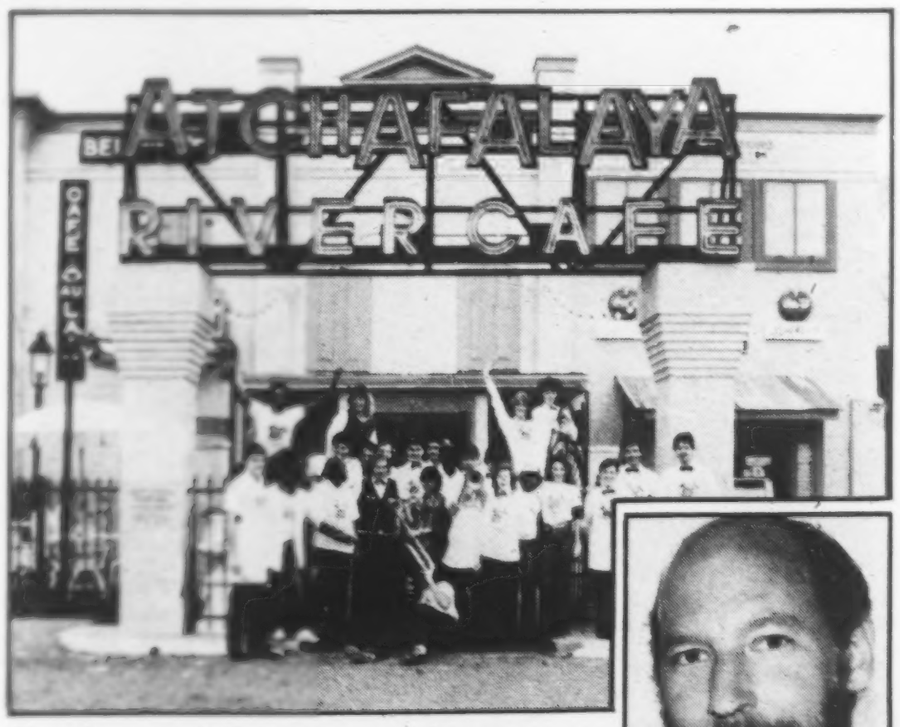
It is "organized chaos by design," said owner-operator Richard Tannenbaum, 38, a local restaurateur by way of Cuba, where he was born, and New Orleans, where he was schooled.

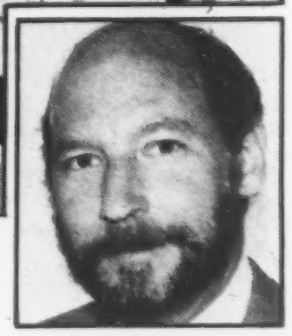
The concept seems to have worked. A survey conducted for the restaurant indicated that 80% of the clientele are repeat customers, and many who live within five miles return more than once a week.

"The place is a party," Tan-

*(See **ATCHAFALAYA**, page 12)*

The *NRN* INDEX now appears on Page 2





Employees strike a pose at the entrance to the Atchafalaya River Café in Houston. Inset: Richard Tannenbaum.

Pizza Hut goes urban

By Don Jeffrey

WICHITA, Kan. — Pizza Hut is testing a scaled-down fast-service concept in two markets that may serve as the chain's growth vehicle into major urban areas.

The newer of the two company-owned Pizza Hut Express Service outlets is in downtown Chicago, in a converted Golden Bear restaurant. The other is in a downtown mall in Pittsburgh. Both feature counter, rather than table, service.

Spokesman Mike Jenkins said the express units were "a

*(See **PIZZA HUT**, page 205)*

Study: Western food-only units outsell others

Significant cost drops reported in West

By Peter Romeo

NEW YORK — "Food-only" restaurants in the western U.S. outpaced their counterparts elsewhere in the country in profitability during 1984, posting an average per-seat profit of $704 compared with a nationwide average of $346, according to a newly issued study.

Food-only outlets in the West reported an average profit margin for 1984 of 10.1%—a figure 2 percentage points higher than any other region's and 2.6 points above the national average.

Restaurants serving alcohol as well as food also fared better in the West, with an average per-seat profit of $379 and average margin of 7.5% compared with national averages of $171 and 4.5%, respectively, the study said.

"We found a significant increase in sales in the West"—to median figures of $8,531 per seat for food-only stores and $6,279 per-seat for food-and-alcohol outlets—"and quite a significant decrease in costs," said Susan Kennedy of Laventhol of Horwath, which conducted the study for the National Restaurant Association.

Payroll, food and beverage costs went from 64% of total sales in 1983 to 56.8% of sales last year, said Kennedy.

"Controllable costs—advertising, promotion, things like that—went up slightly, but by an insignificant amount," Kennedy said.

Restaurant Industry Operations Report '85 found that restaurants in the West also posted the industry's highest seat-turnover rates, with food-only outlets turning their tables an average of 7.3 times and food-and-alcohol restaurants turning theirs 1.4 times.

Food-and-alcohol restaudustry's highest check average in 1984, at $11.34, the study indicated.

The region's food-only outlets reported a check average of $3.41, behind the South's $3.75 and the Northeast's $3.57.

Kennedy attributed the outstanding performance of restaurants in the West to a general economic upturn within the region and a resulting increase in tourism.

"Tourism was up very significantly, especially throughout California," Kennedy said. "That was a big part of it."

But Kennedy is quick to point out that several crowd-drawing events held in the West during 1984, such as the Olympics, the Super Bowl and the Democratic National Convention, failed to deliver the sales increases anticipated.

"People from the local community didn't visit restaurants during the events because they thought they [the restaurants] would be packed with tourists," Kennedy explained. "And the tourists often found themselves trapped in a board room or a hotel and didn't visit as many local restaurants as was expected."

The study found that the restaurant industry as a whole experienced a real sales growth of 4.2% in 1984 compared with the 1983 increase of 3.9%. Sales for food-only outlets rose to $5,134 per seat, and revenues for food-and-alcohol establishments increased to $4,599 per seat.

But the report indicated that the profitability of food-only restaurants slipped by 3.1% during 1984 to $346 per seat. Outlets in the South experienced an average decline of 28.1%, to $315, while the earnings of places in the North-Central region fell by 21% to $188.

In contrast, food-only restaurants in the West posted a 92.9% rise in per-seat profitability, to $704.

The average profitability of food-and-alcohol restaurants increased by 2.4% to a per-seat average of $171. Outlets in the South showed the largest increase, with per-seat profits rising 86.6% to $265, while restaurants in the North-Central area experienced a 50% decline, to an average of $39 per-seat.

PER-SEAT RESTAURANT PROFITS: 1984 VS. 1983

	Food Only			Food & Alcoholic Beverages		
Region	1984	1983	% Change	1984	1983	% Change
Northeast	$433	$464	(6.7)	$139	$149	(6.7)
North Central	188	238	(21.0)	39	78	(50.0)
South	315	438	(28.1)	265	142	86.6
West	704	365	92.9	379	300	26.3
Total U.S.	346	357	(3.1)	171	167	2.4

Source: Laventhol & Horwath/National Restaurant Association

Phillips group unveils three varied concepts

Only fresh seafood served; costs higher

By Ken Frydman

VIRGINIA BEACH, Va. — The family-owned Phillips restaurant group, based in Ocean City, Md., has unveiled three food-service concepts under one roof at its newest fresh-seafood operation.

Opened on the site of a refurbished Jack in the Box in the Janaf Shopping Center here, the prototype Phillips Seafood Shoppe offers customers the option of sit-down, carryout or drive-thru service.

Should the pilot unit meet first-year volume and traffic expectations, the Phillips organization—headed by Shirley and Brice Phillips—will look at other "seafood towns" capable of supporting a high-volume restaurant, according to Paul Wall, the company's comptroller. Other cities in the Tidewater region of Virginia might be candidates, as would Baltimore and the surrounding area.

The test store's gross sales are averaging $1,500 a day, the "breakeven point," Wall said. "We have to do $750,000 to $1 million in the first year to make a return on investment," he added.

Phillips's investment in the site was minimal. The 40-seat Jack in the Box had sat empty for five years before the shopping center's owners bought it and leased it to Phillips. "We just had to do some window dressing and add some equipment, like a steamer, and we were ready to open," Wall said.

The features that most interested the Phillips group were the drive-thru window and talk box. According to Wall, drive-thru service accounts for 20% of the unit's volume, "and it's climbing." Store supervisor Dean Ringelberg added: "When it rains, all our business is drive-thru."

Unlike most fast-food operations, Phillips serves only fresh products, not frozen. Food costs are therefore "higher than we'd like," said Wall.

Labor costs at Phillips, which employs 18 part-time workers and three full-time, are also "higher than acceptable," Wall said. "But as volume increases, labor costs will come down," he added.

The newest Phillips carries the same items as its seven sister sites in Ocean City, Md., Baltimore and Norfolk, but the prices are more in line with those of other fast-food chains—from $2.95 for oysters and french fries or shrimp and fries to $8.95 for a jumbo seafood platter. Most sandwiches run between $5.95 and $6.95.

Inside a Phillips seafood unit in Baltimore.

Among the most popular seafood specialties are fresh crab cakes, soft crab sandwiches ($2.95), fried oysters on a roll, steamed shrimp, mussels, hard-shell clams, scallops and a seafood salad of the day.

New chain at Benihana?

Frozen line boosts sales

By Marilyn Alva

MIAMI — Charged by an infusion of $42 million from its new frozen-food line and a redirected advertising campaign that has contributed to a 7% increase in per-unit sales at its Japanese steakhouses, Benihana is poised on the brink of an expansion drive that could include the rollout of an altogether new chain of seafood restaurants.

"We're very strong right now and probably on a couple of thresholds," said Glen Simoes, senior vice president of Benihana National Corp. and parent Benihana of Tokyo Inc.

Benihana executives are banking that a $1.8 million "prototype" seafood restaurant they expect to open early next month in North Miami Beach will be the springboard needed to open other "Big Splash" restaurants, or "seafood emporiums," nationwide.

"If it works out the way we expect, we will move on it quickly," said Simoes of the new Big Splash restaurant. He said a rollout of Big Splashes could equal or surpass those restaurants in the Benihana steakhouse chain, which now number 47.

Benihana
- Operates 47 Japanese-style steakhouses (8 franchised).
- Revenues (fiscal 1985) $67 million
- New Earnings: $3.1 million
- Stock Traded: Over the Counter
- Price Range: 52-week: $21-$11

Benihana executives attribute the public's growing infatuation with fresh seafood as the impetus behind their decision to launch the new concept. "It's the way the American public seems to be moving," said Simoes, who called the move "a trend."

The company, Simoes said, still believes that people are eating as much steak as ever. He noted that head counts are up at their steakhouses.

"Public demand," Simoes said, was

*(See **BENIHANA**, page 205)*

StratAmerica selling 10 Shari's units

By Alan Liddle

PORTLAND, Ore. — Shari's, the 34-unit coffee shop chain purchased earlier this year by StratAmerica Corp., and headed by Sam D. Battistone, has reached a tentative agreement to sell 10 units scattered throughout the West to a company run by Battistone's brother.

Sam D. Battistone was twice president of the now-defunct Sambo's coffee shop chain that his father, Sam Sr., and Newell Bohnett co-founded in 1957. He is now president of StratAmerica, based in Salt Lake City. In addition to owning Shari's, StratAmerica has a 50% interest in the Utah Jazz professional basketball team, is involved in publishing and is a co-franchisee of Steve's Ice Cream of Utah.

StratAmerica has signed a letter of intent to sell the units and enter into a franchise agreement with Restaurants Etc. Inc. of Santa Barbara. Larry Hatfield, Shari's president, said that with the assumption of liabilities, the sale price is about $1 million. Monthly royalty payments are a part of the franchise agreement, he said.

J. Roger Battistone, Sam D. Battistone's brother, is president of Restaurants Etc., which owns and operates 14 restaurants in California, Arizona and New Mexico. Restaurants Etc.'s three concepts are the Bull Market Butcher Shop, Heidi's Café and Bakery and Miki's Family Café.

Selling off the 10 units in California; Arizona, Wyoming, Colorado and Texas would permit Shari's management to focus its attention on Oregon and Washington, where 23 of the chain's 24-hour units are located. While eight of the restaurants being sold are "profitable," Hatfield said, it has been difficult to manage them because of their distance from the company's headquarters in Portland.

Hatfield said that in addition to the proposed franchise agreement with Restaurants Etc., Shari's has a single-unit arrangement with an operator in Totem Lake, Wash.

"There are no plans at this time for more [franchise agreements]," he said, indicating the remaining units and new units planned for the near future are, or will be, a reasonable distance from the corporate offices.

*(See **SHARI'S**, page 205)*

Nation's Restaurant News

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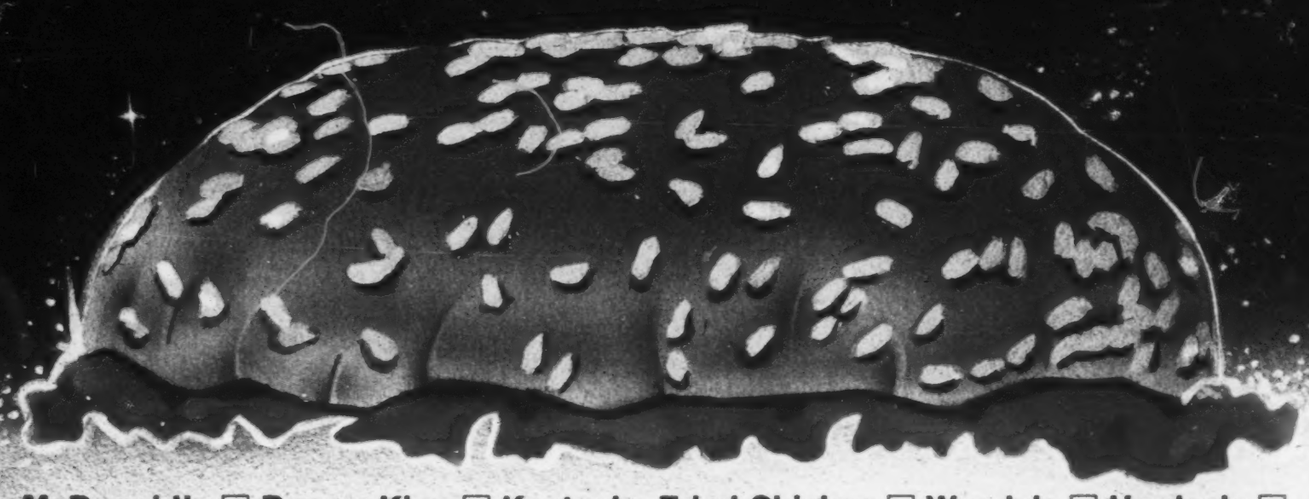
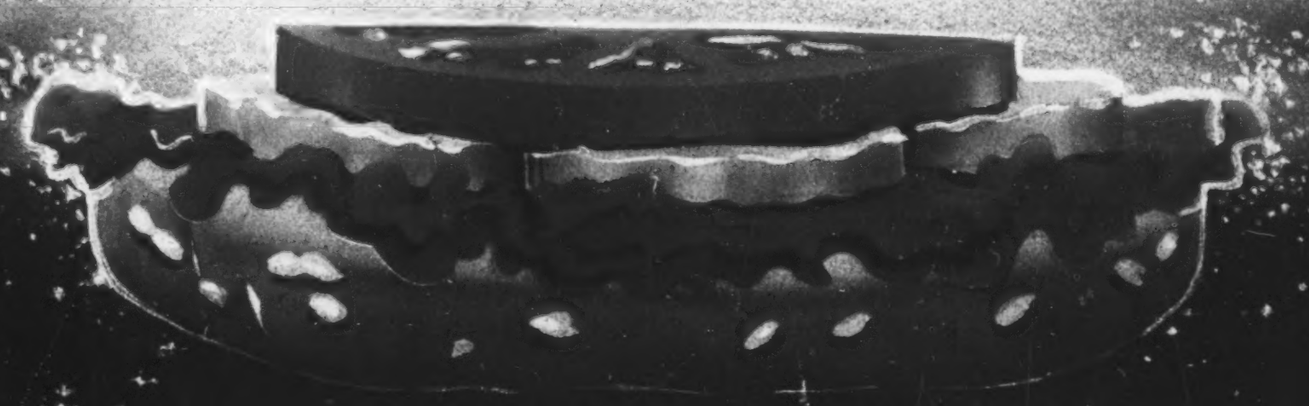


McDonald's ☐ Burger King ☐ Kentucky Fried Chicken ☐ Wendy's ☐ Hardee's ☐ Pizza Hut ☐ Marriott Food Service Mgt. ☐ Dairy Queen ☐ ARA Services ☐ Big Boy ☐ Domino's ☐ Sheraton ☐ Denny's ☐ Holiday Inn ☐ Hilton ☐ Red Lobster ☐ Taco Bell ☐ Saga ☐ Arby's ☐ Service America ☐ Marriott Hotel ☐ Long John Silver's ☐ Ponderosa ☐ Church's ☐ Jack-in-the-Box ☐ Dunkin' Donuts ☐ Shoney's ☐ 7-Eleven ☐ Roy Rogers ☐ Sizzler ☐ Baskin-Robbins ☐ Western Sizzlin' ☐ Canteen ☐ Bonanza ☐ Friendly Ice Cream ☐ Westin ☐ Howard Johnson's Restaurant ☐ Chi-Chi's ☐ Dobbs ☐ Bennigan's ☐ K mart ☐ T.G.I. Friday's ☐ Sky Chefs ☐ Carl's Jr ☐ Popeye's ☐ El Torito ☐ Rax ☐ Godfather's ☐ ShowBiz/Chuck E. Cheese's ☐ Odgen ☐ Little Caesar ☐ Stuart Anderson's ☐ Sonic Drive-In ☐ Morrison's ☐ Steak and Ale ☐ White Castle ☐ Perkins ☐ Golden Corral ☐ Captain D's ☐ Pizza Inn ☐ Quality Inn ☐ Ground Round ☐ Ramada Inn ☐ Bojangles' ☐ Greyhound Food Management ☐ International House of Pancakes ☐ Disneyland/Disney World ☐ Whataburger ☐ Furr's ☐ Delaware North ☐ Po Folks ☐ Shakey's ☐ Grandy's ☐ Piccadilly ☐ Quincy's ☐ Wyatt ☐ Luby's ☐ Carvel ☐ Western Steer ☐ Hyatt Hotel ☐ Custom Management ☐ Village Inn ☐ Del Taco ☐ Round Table Pizza ☐ Winchell's ☐ Marie Callender's ☐ Krystal ☐ A&W ☐ Country Kitchen ☐ Seiler ☐ Waffle House ☐ Szabo ☐ Chick-fil-A ☐ Tastee Freeze ☐ F. W. Woolworth ☐ Mister Donut ☐ Mr. Steak ☐ Naugles ☐ York Steak House ☐ Brown Derby



NRN's Top 100 Chains are boostlng systemwide sales at a scorching 15% pace this year, to $67 billion, cornering more than 44¢ of every food dollar spent dining out. More than 8,000 new units are being opened this year by the *NRN* Top 100 Chains. But sales per unit have slowed to half of last year's growth rate.

FOCUS | NRN

COVER STORY

THE NRN TOP 100: BATTLE OF THE BIGGEST

By Rick Telberg

Instead of recoiling in the face of slowed industrywide growth, the nation's largest and most powerful food-service operators are seizing the opportunity to trample smaller competitors underfoot by accelerating expansion.

The annual *Nation's Restaurant News* rankings of the Top 100 Chains and the Top 100 Companies show, in a year when the commercial food-service market is growing 7%, to $151.5 billion, the gargantuans are stampeding ahead at more than twice the pace.

The *NRN* Top 100's are winning an ever larger share of the marketplace by building or acquiring more units, more productivity, than is the industry as a whole. Within the Top 100 elite, meanwhile, vicious battles are being waged to earn winning positions in a consolidating market.

Key findings from *NRN*'s Chain Analysis, Part One, include:

- The Top 100 Chains are growing at a 15% rate in systemwide sales. By the end of the year, they will have rung up $67 billion. Last year, according to revised *NRN* estimates, the Top 100 Chains grossed $58.1 billion, a 12% increase over the 1983 figure.
- The top 25 of the Top 100 chains are leading the charge. The 25 biggest chains are growing at a 17% rate, up from 1984's 13% pace. But the bottom 75 are plugging along at less than 12% this year, about the same as 1984's rate.
- The Top 100 Chains are capturing 44¢ of every dining-out dollar this year, up from 41¢ in 1984 and 40¢ in 1983.
- The top 25 of the Top 100 Chains, were economic and marketing power is concentrated, are getting 30¢ of every dining-out dollar, up from 27¢ last year and 26¢ the year before.
- The Top 100 Chains are opening 8,255 new restaurants, hotel properties or management accounts this year, or almost one for every hour in the day. This year's 9% physical-expansion rate outstrips by half 1984's revised 6% rate when 5,137 new Top 100 units began operation.
- Sales per unit at the Top 100 Chains, however, are eking out a bare 2.5% increase this year, half of last year's gain. That measure of productivity indicates, perhaps, that traffic counts remain a problem even for the biggest food-service chains.

At the Top 100 Companies:

- Food-service revenue is heading for a $44.2 billion total this year, a 17% increase that surpasses 1984's 14%.
- Share of the total food-service market is expanding to 29%, from 27% in 1984 and 26% in 1983.
- The top 25 of the Top 100 Companies control 20% of the total market, up from 18% in 1984 and 17% in 1983.
- Mergers and acquisitions account for the vaulting expansion at the top 10 fastest-growing companies.
- Thirteen of the top 25 of the Top 100 Companies have major revenue streams from businesses other than food service.

Battle of the Biggest

The arena was set for a battle of the biggest early in the year when 1984's healthy 9% industrywide sales growth was braked by a suddenly tepid economy, thriftier consumers and harsh winter weather.

"The current year is shaping up as a battle for market share within the restaurant industry," said Chris Hotze, president of a prominent Grandy's fried chicken franchise.

But executives at the biggest chains saw an opportunity. Joe Lee, president of General Mills Inc.'s restaurant group, said he was shopping for bargain-priced acquisitions. "We're just going to sit back and watch this shakeout get a little worse," he said.

The biggest of the big remain sanguine. As Fred Turner, McDonald's Corp. chief executive said, "In a period of industry consolidation, it can only accrue to the benefit of the market leader."

The public financial markets, always finely attuned to whiffs of trouble, have reacted by bidding up the stock prices of the larger companies while they decimate values at smaller, faltering ones.

Wall Street rallied the *Nation's Restaurant News* Food-Service Operators market value index by 24% in the first six months of the year. And it has surged with the overall market from there.

But a triple-index measure at Piper Jaffray & Hopwood brokerage in Minneapolis shows a dramatic, three-way split among big, medium and small companies.

Piper's index of "primary" restaurant stocks lofted 18% in the first half of 1985. But its "secondary" issues rose less than 15% and "emerging" stocks edged up a subpar 7%.

"The sleeping giants have awakened," said Piper analyst Richard Pyle. "Your larger restaurant companies are exerting a lot more muscle, especially in advertising and promotions."

McDonald's Tops the Top 100

McDonald's, the world's biggest food-service organization, tops the Top 100 rankings in systemwide sales, number of units and as a company.

This year more than 8,800 Golden Arches will reap $11.5 billion, *NRN* projects. The McDonald's chain alone accounts for almost 8% of the entire food-service industry's sales.

With hamburger chains biting off more than 15% of the total market this year, the battle for runner-up is intense.

Burger King, with systemwide sales this year of $4.52 billion, ranks as the nation's second-biggest food-service chain. It's parent, Pillsbury Co., ranks third among Top 100 Companies.

Kentucky Fried Chicken, with 6,540 outlets grossing $3.2 billion, ranks third on the Top 100 systemwide sales list.

Wendy's, at an even $3 billion, ranks fourth.

Hardee's, at $2.2 billion, is fifth, dislodging Pizza Hut, which slips to sixth place.

Second to McDonald's in number of units among the Top 100 Chains, 7-Eleven, a convenience store chain, expects 7,550 stores this year. But it sits at the bottom of the sales-per-unit rankings.

Kentucky Fried Chicken, with 6,540 outlets, ranks third in number of units.

Pizza Hut unseats Dairy Queen this year, as the pizza chain moves to fourth place in number of units.

Burger King, at sixth place in number of units and Wendy's at seventh, remain unchanged.

But Domino's zooms up from 11th to 8th as it adds 935 new pizza delivery shops.

Westin hotels, with only 52 properties grossing $466 million in food and beverage sales, tops the sales-per-unit ranking at $9 million per property.

Only Sky Chefs, an airline caterer with few but fat accounts, comes close to Westin's annual unit average. But at less than $5.5 million per account, Sky Chefs remains a distant second.

Marriott hotels, at $5.2 million each, and Hilton hotels, at $3.8 million, remain unchanged.

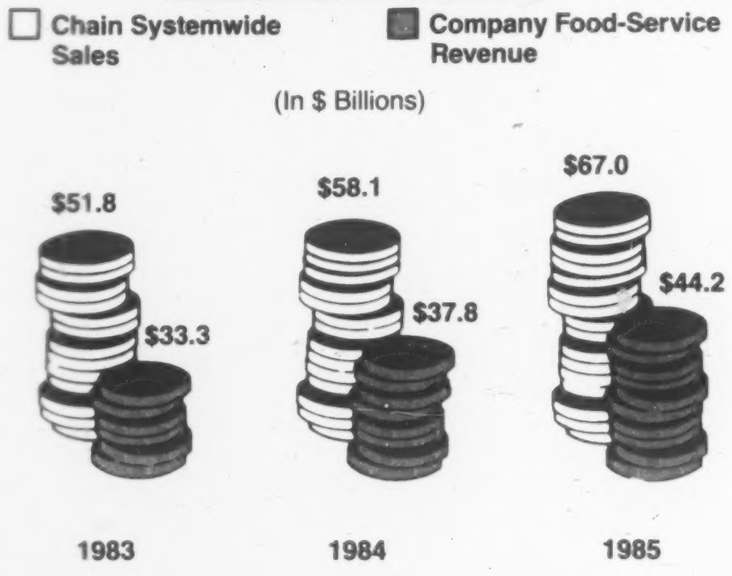
But T.G.I. Friday's, where units gross an average $3.25 million a year, ranks as the Top 100 Chain with the highest-grossing freestanding restaurants in the nation.

Top 100 Growth Leaders

In the jostling for position among the Top 100 Chains, Allegheny Bever-

*(See **TOP 100**, page F4)*

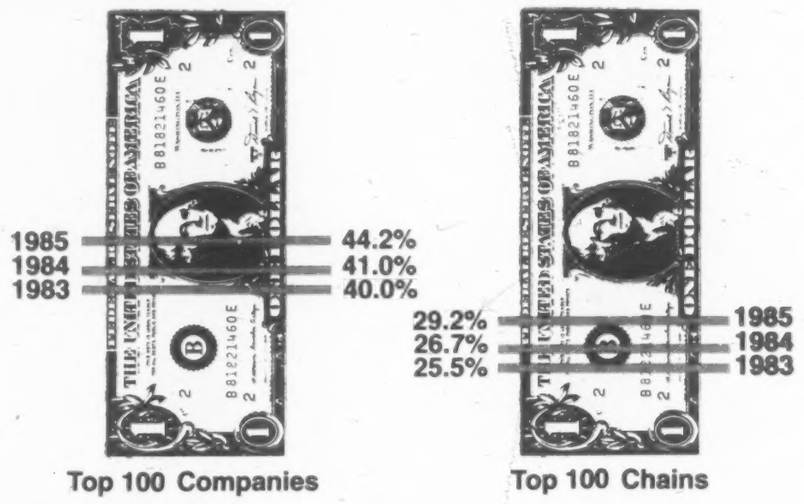
NRN *TOP 100 SURGE*



Source: *NRN* research

NRN *TOP 100 GAIN IN MARKET SHARE*

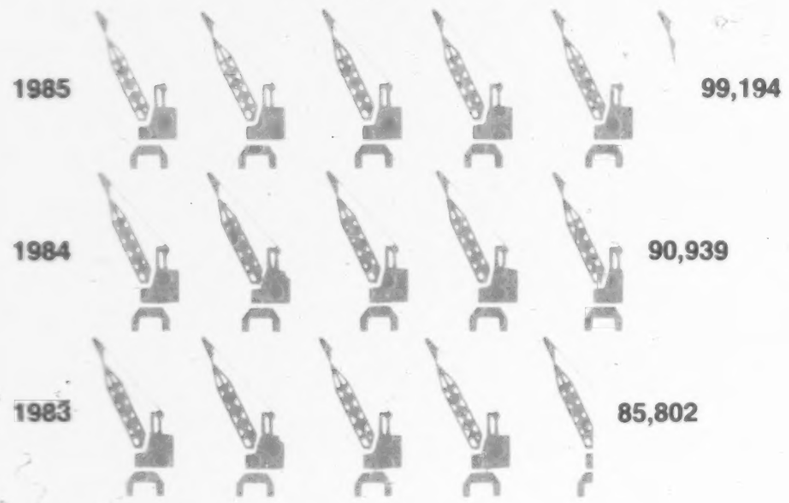
(As a Per Cent of Total Commercial Food-Service Industry Sales)



Source: *NRN* research

TOP 100 CHAINS STEP UP UNIT EXPANSION

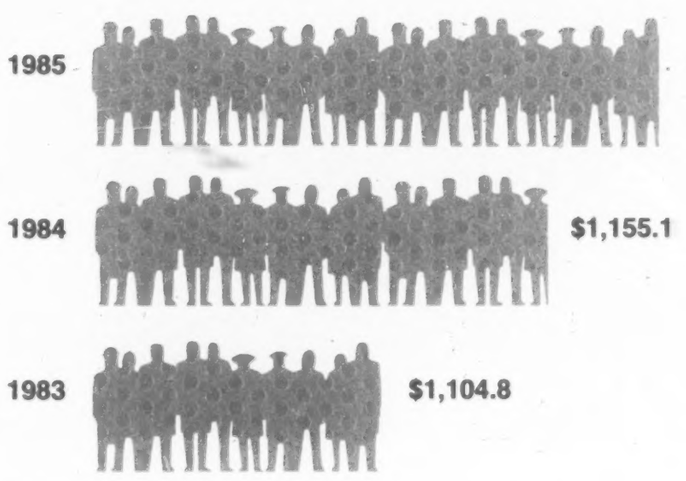
(In Number of Units)



Source: *NRN* research

SALES PER UNIT GAINS SLOW

(In $ Thousands)



Source: *NRN* research

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TOP 100

'The Top 100 chains are capturing 44¢ out of every dining-out dollar this year.'

(Continued from page F4)

age Corp.'s Service America contract-feeding operation leads the lists of the fastest growing in both systemwide sales and unit expansion.

Service America's acquisition-fueled 132% sales gain this year propels it upward 26 notches to 20th place in both the systemwide sales and the number of units rankings.

Allegheny Beverage Corp., which tops the Top 100 Companies revenue-growth list, has assembled Service America from more than a dozen acquisitions, including Macke and Servomation.

But Service America's sales per unit, reflecting dilutive new accounts, remained at $642,000 for the second year, after declining from $1.15 million in 1983, according to *NRN* estimates.

Allegheny Beverage's Service America was not alone. Among the industry's major segments, Top 100 contract feeders are growing the fastest this year.

With the consolidation that is symptomatic of a stagnating market, Top 100 contract-feeding chains are merging and acquiring each other to yield a 24% sales increase for the survivors. Last year, it was a scorching 42% pace.

Marriott Corp.'s food-service management division now includes much of Gladieux and Service Systems. Ogden Corp. bought an airline catering operation from ARA Holding Co.

Top 100 pizza chains are increasing systemwide sales by 23% this year. Though dominated by Pizza Hut and stalled by Godfather's, the segment is home to Domino's, which will almost double systemwide sales and increase its store count by half this year.

Top 100 by Segments

Top 100 burger chains, steadied by the smooth strategies of corporate giants, figure to match last year's 16% sales gain again this year, according to *NRN*. Wendy's is the fastest-growing burger chain, with a projected sales gain of 24%.

Top 100 dinnerhouse chains, their sales stalled to a still-healthy 11% gain last year, will surge this year with a 14% sales rise, as they learn to cope with lighter eaters and fewer heavy drinkers. El Torito is moving the fastest.

Top 100 snack chains, largely on the coattails of a rebounding Dairy Queen, will see a 14% sales increase this year, after less than 2% in 1984.

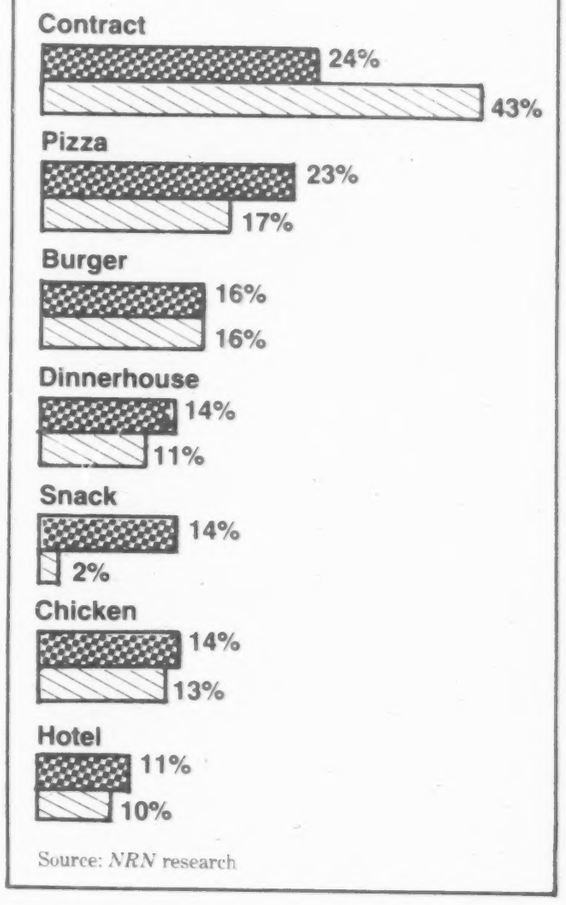
Top 100 chicken chains, led by Bojangles' 43% sales gain, are slated for 14% growth, up one percentage point from 1984.

Led by a projected 27% systemwide sales increase at Quality Inns, Top 100 hotel chain food and beverage sales will widen 11% this year, up from 10% in 1984.

Po Folks, with a 39% sales rise, is leading the Top 100 family restaurant chains to 11% gains, up from less than 1% last year, a year marked by the secession of Shoney's from the Big Boy system.

Top 100 family steakhouses, however, are slated for a slowdown. Their 10% gains this year pale in comparison to 1984's 14% rate. Golden Corral, nevertheless, expects a 34% increase, according to *NRN*.

MAJOR SEGMENTS RANKED BY SYSTEMWIDE SALES GROWTH



Source: *NRN* research

The NRN *Top 100: What it is, how to use it*

This is one of the most important management tools in the food-service business—*The Nation's Restaurant News* Top 100: Chain Analysis, Part One.

Chain Analysis, Part Two, examining the pricing trends and performances of specific menu items for major segments of the industry, will appear in the next issue.

Editor's Note

The Top 100 ranks the nation's biggest food-service operators four ways. So, at a glance, you can glean a clear picture of the industry.

In addition, *NRN* editors provide in-depth analyses of the major segments, explaining what is happening and why. Their articles include key pricing information at selected chains.

Four comprehensive tables anchor this special issue. They are:

- The Top 100 Chains, Ranked by Systemwide Food-Service Sales,
- The Top 100 Chains, Ranked by Number of Units,
- The Top 100 Chains, Ranked by Sales per Unit, and
- The Top 100 Companies, Ranked by Food-Service Revenue.

All of the rankings are based on the performances *NRN* expects from the operators this fiscal year.

The Current Fiscal Year, in most cases, ends this coming December. But some others stretch as far as July 1986. The Last Full Year ended from June 1984 to July 1985. The Previous Year, June 1983 to July 1984.

All figures in the Last Full Year have been revised, so they are not comparable to last year's *NRN* Top 100. In so doing, all 1984 rankings have been revised, including only the Chains and Companies that make the 1985 Top 100.

The ranking on the Number of Units and Sales Per Unit tables was drawn exclusively from the Systemwide Sales tally. So if a chain fell shy of the Systemwide Sales Top 100, it is not included on the Number of Units and Sales Per Units Top 100s.

To provide a crystal-clear picture of the commercial food-service industry, *NRN* defines food-service sales and revenue strictly.

The definition excludes: income from rooms at hotels, from vending machines at contract feeders, from intercompany transfers at airlines that cater their own in-flight meals and from manufacturing or distribution operations at companies that sell to other companies.

In the case of company revenue, however, all revenue is included that stems from operating a food-service business, including: franchise and royalty income, technical assistance to franchisees, the routine sale of real estate and interest income earned to finance expansion or continuing operations.

Units are defined as individual restaurants. At hotels they are properties; at contract feeders, accounts.

To eliminate the sales surges of newly opened units, Sales Per Unit are based on units that have been open for at least one year. The measure is sometimes called same-store or comparable-unit sales.

Market Share Rankings, a special feature, shows dramatically the growing importance of the biggest operators. The figure is calculated from an *NRN* estimate of the nation's total commercial food-service sales, which, in 1985, is projected to be $151.5 billion. In 1984, *NRN* estimates $149.9 billion and, in 1983, $130.2 billion.

—Rick Telberg

Index to chains covered in this section

7-Eleven F6, F62
A&W F7, F17
ARA Services F6, F55
Arby's F6, F17
Baskin-Robbins F6, F30
Bennigan's F6, F35
Big Boy F6, F40
Bojangles' F7, F21
Bonanza F6, F40
Brown Derby F7
Burger King F6, F17
Canteen F6, F55
Captain D's F7, F27
Carl's Jr. F6, F40
Carvel F7, F30
Chi-Chi's F6, F35
Chick-fil-A F7, F21
Church's F6, F21
Country Kitchen F7
Custom Management F7, F55
Dairy Queen F6, F30
Del Taco F7
Delaware North F7, F55
Denny's F6, F40
Disneyland/Disney World F7
Dobbs F6, F55
Domino's F6, F22
Dunkin' Donuts F6, F30
El Torito F6, F35
F. W. Woolworth F7, F62
Friendly Ice Cream F6, F30
Furr's F7, F52
Godfather's F6, F22
Golden Corral F7, F47
Grandy's F7, F21
Greyhound Food Management F7, F55
Ground Round F7, F35
Hardee's F6, F17
Hilton F6, F58
Holiday Inn F6, F58
Howard Johnson's Restaurant F6, F40
Hyatt Hotel F7, F58
International House of Pancakes F7, F40
Jack-in-the-Box F6, F17
K mart F6, F62
Kentucky Fried Chicken F6, F21
Krystal F7, F17
Little Caesar F6, F22
Long John Silver's F6, F27
Luby's F7, F52
Marie Callender's F7, F35
Marriott Food Service Mgt. F6, F55
Marriott Hotel F6, F58
McDonald's F6, F17
Mister Donut F7, F30
Morrison's F7, F55
Mr. Steak F7, F47
Naugles F7
Ogden F6, F55
Perkins F7, F52
Piccadilly F7, F52
Pizza Hut F6, F22
Pizza Inn F7, F22
Po Folks F7, F40
Ponderosa F6, F47
Popeyes F6, F21
Quality Inn F7, F58
Quincy's F7, F47
Ramada Inn F7, F58
Rax F6
Red Lobster F6, F35
Round Table Pizza F7, F24
Roy Rogers F6, F17
Saga F6, F55
Seiler F7
Service America F6, F55
Shakey's F7, F22
Sheraton F6, F58
Shoney's F6, F40
ShowBiz/Chuck E. Cheese F6, F22
Sizzler F6, F47, F50
Sky Chefs F6, F56
Sonic Drive-In F7, F17
Steak and Ale F7, F35
Stuart Anderson's F7, F35
Szabo F7, F55
T.G.I. Friday's F6, F35
Taco Bell F6
Tastee Freeze F7, F30
Village Inn F7, F40
Waffle House F7, F40
Wendy's F6, F17
Western Sizzlin' F6, F47
Western Steer F7, F47
Westin F6, F58
Whataburger F7, F17
White Castle F7, F17
Winchell's F7, F30
Wyatt F7, F52
York Steak House F7, F47